



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE

March 28, 2018

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Sigourney, Iowa.

The City's receipts totaled \$5,472,138 for the year ended June 30, 2017, a 72.1% increase over the prior year. The receipts included \$890,590 of property tax, \$69,288 of tax increment financing, \$1,377,212 of charges for service, \$464,969 of operating grants, contributions and restricted interest, \$3,096 of capital grants, contributions and restricted interest, \$180,365 of local option sales tax, \$90,413 of commercial/industrial tax replacement, \$17,791 of unrestricted interest on investments, \$2,373,486 of note proceeds and \$4,928 of other general receipts.

Disbursements for the year ended June 30, 2017 totaled \$4,853,251, a 77.5% increase over the prior year, and included \$2,338,305 for debt service, \$474,070 for public safety and \$331,460 for public works. Also, disbursements for business type activities totaled \$966,815.

The increase in receipts and disbursements is primarily due to refunding debt during fiscal year 2017.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1720-0512-B00F>.

# # #



**CITY OF SIGOURNEY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2017**

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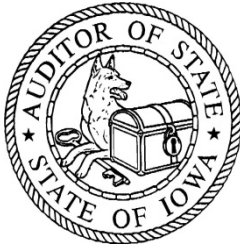
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## City of Sigourney

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Douglas L. Glandon	Mayor	Jan 2022
Edward Conrad	Council Member	Jan 2020
Connie McLaughlin	Council Member	Jan 2020
Jimmy Morlan	Council Member	Nov 2019
William Bender	Council Member	Jan 2022
Rick Landgrebe	Council Member	Jan 2022
Randall Schultz	Council Member	Jan 2022
Angela Alderson	City Clerk	Indefinite
John Wehr	Attorney	Indefinite

**City of Sigourney**



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### Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney as of June 30, 2017, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sigourney's basic financial statements. We previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the eight years ended June 30, 2015 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 9 through 14 and 36 through 42, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2018 on our consideration of the City of Sigourney's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Sigourney's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

March 15, 2018

**City of Sigourney**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Sigourney provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2017 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 123.6%, or approximately \$2,306,000, from fiscal year 2016 to fiscal year 2017. This is due to the issuance of refunding notes during fiscal year 2017.
- Disbursements of the City's governmental activities increased 114.4%, or approximately \$2,073,000, in fiscal year 2017 from fiscal year 2016. This is primarily due to refunding debt during fiscal year 2017.
- The City's total cash basis net position increased 15.2%, or approximately \$619,000, from June 30, 2016 to June 30, 2017. Of this amount, the cash basis net position of the governmental activities increased approximately \$309,000 and the cash basis net position of the business type activities increased approximately \$310,000.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system and sanitation. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax and Employee Benefits, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Sanitation Funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

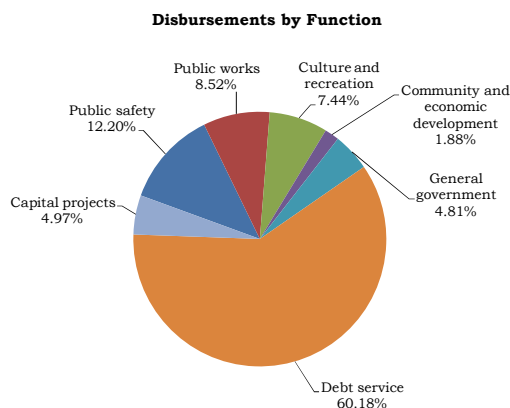
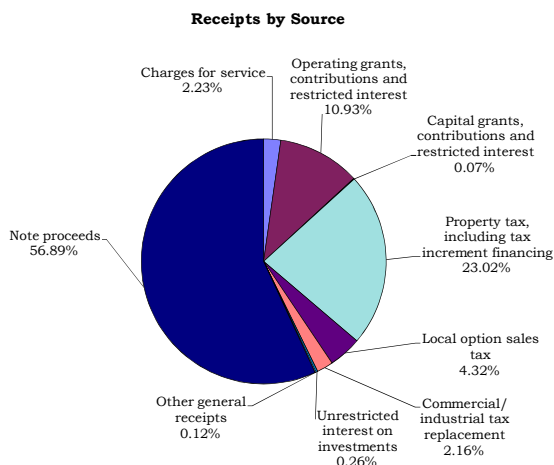
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$1.870 million to approximately \$2.179 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service	\$ 93	84
Operating grants, contributions and restricted interest	456	468
Capital grants, contributions and restricted interest	3	17
General receipts:		
Property tax, including tax increment financing	960	1,015
Local option sales tax	180	166
Commercial/industrial tax replacement	90	96
Unrestricted interest on investments	11	7
Note proceeds	2,373	-
Other general receipts	5	12
Total receipts	4,171	1,865
Disbursements:		
Public safety	474	421
Public works	331	312
Culture and recreation	289	301
Community and economic development	73	52
General government	187	219
Debt service	2,338	367
Capital projects	193	140
Total disbursements	3,885	1,812
Change in cash basis net position before transfers	286	53
Transfers, net	23	23
Change in cash basis net position	309	76
Cash basis net position beginning of year	1,870	1,794
Cash basis net position end of year	\$ 2,179	1,870



The City's total receipts for governmental activities increased 123.6%, or approximately \$2.306 million, over the prior year. The total cost of all programs and services increased approximately \$2.073 million, or 114.4%, with no new programs added this year. The increase in receipts and disbursements was primarily the result of debt refinancing during fiscal year 2017.

The cost of all governmental activities this year was approximately \$3.885 million compared to approximately \$1.812 million last year. However, as shown in the Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$3.334 million because some of the cost was paid by those who directly benefited from the programs (approximately \$93,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$459,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased from approximately \$569,000 in fiscal year 2016 to approximately \$552,000 in fiscal year 2017.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 534	520
Sewer	558	530
Sanitation	192	191
Operating grants, contributions and restricted interest	9	68
General receipts:		
Unrestricted interest on investments	7	4
Other general receipts	-	1
Total receipts	1,300	1,314
Disbursements:		
Water	484	478
Sewer	348	295
Sanitation	135	149
Total disbursements	967	922
Change in cash basis net position before transfers	333	392
Transfers, net	(23)	(23)
Change in cash basis net position	310	369
Cash basis net position beginning of year	2,207	1,838
Cash basis net position end of year	\$ 2,517	2,207

Total business type activities receipts for the fiscal year were approximately \$1.300 million compared to approximately \$1.314 million last year. This decrease was due primarily to receipt of a \$68,000 insurance reimbursement in the prior year due to a lightning strike at the City's water treatment plant. Total business type activities disbursements increased approximately \$45,000. The cash balance increased approximately \$310,000 over the prior year.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Sigourney completed the year, its governmental funds reported a combined fund balance of \$1,980,826, an increase of more than \$258,000 above last year's total of \$1,722,108. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$98,340 over the prior year to \$638,828. Receipts and disbursements remained consistent with prior amounts and resulted in an excess of receipts over disbursements.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$19,970 to \$135,262. The decrease was due to an increase in road patch costs of \$25,000 during the current year.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$24,817 over the prior year to \$556,266.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$17,096 to \$164,930. The decrease was due to a \$12,000 decrease in property tax receipts and a \$5,000 increase in medical insurance costs.
- The Debt Service Fund cash balance increased \$4,190 to \$78,367.
- The Capital Projects Fund cash balance increased \$207,710 to \$297,483. The increase was due to the City issuing general obligation debt for street projects.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance increased \$15,734 to \$741,496, due primarily to an increase in the sale of water of \$11,859 and a decrease in miscellaneous receipts of \$54,096.
- The Enterprise, Sewer Fund cash balance increased \$204,122 to \$1,214,049, due primarily to an increase in charges for service.
- The Enterprise, Sanitation Fund cash balance increased \$47,954 to \$230,379, due primarily to a decrease in operating supply expenses.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget two times. The first amendment was approved on October 19, 2016 and resulted in an increase in receipts and disbursements related to the issuance of the general obligation refunding notes. The second amendment was approved on May 17, 2017 to provide for additional disbursements in certain City departments.

The City's receipts were \$20,513 less than budgeted.

With the budget, amendments total disbursements were \$1,127,574 less than the amended budget. This was primarily due to the delay in projects related to street improvements and improvements to the sanitary sewer system.

## DEBT ADMINISTRATION

At June 30, 2017, the City had \$3,684,000 of notes outstanding, compared to \$3,645,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2017	2016
General obligation notes	\$ 2,820	2,625
Revenue capital loan notes	864	978
Other obligations	-	42
Total	\$ 3,684	3,645

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,820,000 is significantly below its constitutional debt limit of approximately \$4.4 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Sigourney's elected and appointed officials and citizens considered many factors when setting the fiscal year 2018 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the City remained constant at 3.1%. This compares with the State's unemployment rate of 3.2% and the national rate of 4.3%.

These indicators were taken into account when adopting the budget for fiscal year 2018. There were no major changes to the fiscal year 2018 budget. The City of Sigourney is still using the increased sewer utility rates toward the wastewater treatment plant upgrade that will occur in the next couple years. The City has added no major new programs or initiatives to the fiscal year 2018 budget.

If these estimates are realized, the City's cash balance is expected to decrease approximately \$1,045,000 by the close of fiscal year 2018.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angela Alderson, City Clerk, 100 N Main Street, Sigourney, Iowa 52591.



## **Basic Financial Statements**

City of Sigourney

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2017

		Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Disbursements			
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 474,070	6,035	97,910	-
Public works	331,460	14,650	258,424	-
Culture and recreation	288,943	33,172	78,129	-
Community and economic development	73,050	18,211	11,114	-
General government	187,372	21,427	10,610	465
Debt service	2,338,305	-	-	631
Capital projects	193,236	-	-	2,000
Total governmental activities	3,886,436	93,495	456,187	3,096
Business type activities:				
Water	484,050	534,112	4,447	-
Sewer	347,471	557,942	205	-
Sanitation	135,294	191,663	4,130	-
Total business type activities	966,815	1,283,717	8,782	-
Total	\$ 4,853,251	1,377,212	464,969	3,096
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Note proceeds, net of \$11,514 discount				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Nonexpendable:				
Lewis Memorial Trust				
Library Memorial Trust				
Expendable:				
Streets				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				
See notes to financial statements.				

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Net (Disbursements) Receipts and  
Changes in Cash Basis Net Position

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Governmental Activities	Business Type Activities	Total
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(370,125)	-	(370,125)
(58,386)	-	(58,386)
(177,642)	-	(177,642)
(43,725)	-	(43,725)
(154,870)	-	(154,870)
(2,337,674)	-	(2,337,674)
(191,236)	-	(191,236)
(3,333,658)	-	(3,333,658)

-	54,509	54,509
-	210,676	210,676
-	60,499	60,499

-	325,684	325,684
(3,333,658)	325,684	(3,007,974)

598,076	-	598,076
292,514	-	292,514
69,288	-	69,288
180,365	-	180,365
90,413	-	90,413
10,507	7,284	17,791
2,373,486	-	2,373,486
4,916	12	4,928
23,216	(23,216)	-

3,642,781	(15,920)	3,626,861
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309,123	309,764	618,887
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1,869,741	2,207,487	4,077,228
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\$ 2,178,864	2,517,251	4,696,115
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\$ 4,675	-	4,675
1,000	-	1,000

135,262	-	135,262
78,367	120,834	199,201
297,483	-	297,483
825,211	-	825,211
836,866	2,396,417	3,233,283

\$ 2,178,864	2,517,251	4,696,115
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City of Sigourney

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2017

	General	Special Revenue		
		Road Use Tax	Local Option Sales Tax	Employee Benefits
Receipts:				
Property tax	\$ 480,583	-	-	87,288
Tax increment financing	-	-	-	-
Local option sales tax	-	-	180,365	-
Other city tax	27,842	-	-	2,564
Licenses and permits	34,903	-	-	-
Use of money and property	20,050	-	1,059	-
Intergovernmental	155,154	255,435	-	8,461
Charges for service	25,622	-	-	-
Miscellaneous	51,611	-	840	-
Total receipts	795,765	255,435	182,264	98,313
Disbursements:				
Operating:				
Public safety	338,624	-	32,067	81,701
Public works	1,012	275,405	74,725	13,203
Culture and recreation	188,499	-	16,607	17,381
Community and economic development	-	-	23,008	-
General government	169,290	-	3,040	26,340
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	697,425	275,405	149,447	138,625
Excess (deficiency) of receipts over (under) disbursements	98,340	(19,970)	32,817	(40,312)
Other financing sources (uses):				
Note proceeds, net of \$11,514 discount	-	-	-	-
Transfers in	-	-	-	23,216
Transfers out	-	-	(8,000)	-
Total other financing sources (uses)	-	-	(8,000)	23,216
Change in cash balances	98,340	(19,970)	24,817	(17,096)
Cash balances beginning of year	540,488	155,232	531,449	182,026
Cash balances end of year	\$ 638,828	135,262	556,266	164,930
<b>Cash Basis Fund Balances</b>				
Nonspendable:				
Lewis Memorial Trust	\$ -	-	-	-
Library Memorial Trust	-	-	-	-
Restricted for:				
Streets	-	135,262	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	556,266	164,930
Unassigned	638,828	-	-	-
Total cash basis fund balances	\$ 638,828	135,262	556,266	164,930

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
292,514	-	-	860,385
-	-	69,288	69,288
-	-	-	180,365
-	-	-	30,406
-	-	1,747	36,650
141	-	199	21,449
28,147	2,000	9,087	458,284
-	-	3,275	28,897
-	-	44,586	97,037
320,802	2,000	128,182	1,782,761
-	-	11,804	464,196
-	-	-	364,345
-	-	66,456	288,943
-	-	50,042	73,050
-	-	-	198,670
2,338,305	-	-	2,338,305
-	193,236	-	193,236
2,338,305	193,236	128,302	3,920,745
(2,017,503)	(191,236)	(120)	(2,137,984)
1,973,033	400,453	-	2,373,486
48,660	-	9,507	81,383
-	(1,507)	(48,660)	(58,167)
2,021,693	398,946	(39,153)	2,396,702
4,190	207,710	(39,273)	258,718
74,177	89,773	148,963	1,722,108
78,367	297,483	109,690	1,980,826
-	-	4,675	4,675
-	-	1,000	1,000
-	-	-	135,262
78,367	-	-	78,367
-	297,483	-	297,483
-	-	104,015	825,211
-	-	-	638,828
78,367	297,483	109,690	1,980,826

## City of Sigourney

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position -  
Governmental Funds

As of and for the year ended June 30, 2017

**Total governmental funds cash balances (page 19)** \$ 1,980,826***Amounts reported for governmental activities in the Cash Basis  
Statement of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of vehicle replacement and partial self funding of the City's health benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

198,038**Cash basis net position of governmental activities (page 17)** \$ 2,178,864**Change in cash balances (page 19)** \$ 258,718***Amounts reported for governmental activities in the Cash Basis  
Statement of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of vehicle replacement and partial self funding of the City's health benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

50,405**Change in cash basis net position of governmental activities (page 17)** \$ 309,123

See notes to financial statements.

## City of Sigourney

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2017

	Enterprise				Internal Service
	Water	Sewer	Sanitation	Total	Total
Operating receipts:					
Charges for service	\$ 524,367	557,942	191,663	1,273,972	238,300
Miscellaneous	14,192	217	4,130	18,539	-
Total operating receipts	538,559	558,159	195,793	1,292,511	238,300
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	10,067
Public works	-	-	-	-	67,116
General Government	-	-	-	-	2,712
Business type activities	425,101	271,224	142,367	838,692	68,437
Total operating disbursements	425,101	271,224	142,367	838,692	148,332
Excess of operating receipts over operating disbursements	113,458	286,935	53,426	453,819	89,968
Non-operating receipts (disbursements):					
Interest on investments	1,136	4,832	205	6,173	401
Sale of capital assets	-	-	-	-	2,000
Debt service	(79,885)	(59,900)	-	(139,785)	-
Capital projects	(8,943)	(20,248)	-	(29,191)	-
Net non-operating receipts (disbursements)	(87,692)	(75,316)	205	(162,803)	2,401
Excess of receipts over disbursements	25,766	211,619	53,631	291,016	92,369
Transfers out	(10,032)	(7,507)	(5,677)	(23,216)	-
Change in cash balances	15,734	204,112	47,954	267,800	92,369
Cash balances beginning of year	725,762	1,009,937	182,425	1,918,124	436,996
Cash balances end of year	\$ 741,496	1,214,049	230,379	2,185,924	529,365
<b>Cash Basis Fund Balances</b>					
Restricted for debt service	\$ 46,175	74,659	-	120,834	-
Unrestricted	695,321	1,139,390	230,379	2,065,090	529,365
Total cash basis fund balances	\$ 741,496	1,214,049	230,379	2,185,924	529,365

See notes to financial statements.

## City of Sigourney

Reconciliation of the Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position –  
Proprietary Funds

As of and for the year ended June 30, 2017

<b>Total enterprise funds cash balances (page 21)</b>	\$ 2,185,924
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***Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of vehicle replacement and partial self funding of the City's health benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

331,327

<b>Cash basis net position of business type activities (page 17)</b>	<u><u>\$ 2,517,251</u></u>
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<b>Change in cash balances (page 21)</b>	\$ 267,800
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***Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of vehicle replacement and partial self funding of the City's health benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

41,964

<b>Change in cash basis net position of business type activities (page 17)</b>	<u><u>\$ 309,764</u></u>
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See notes to financial statements.



City of Sigourney

Notes to Financial Statements

June 30, 2017

**(1) Summary of Significant Accounting Policies**

The City of Sigourney is a political subdivision of the State of Iowa located in the Keokuk County. It was first incorporated in 1858 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and sanitation utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Sigourney has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Sigourney (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit – The Friends of the Sigourney Public Library is an entity which is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. They are reported as part of the City and blended into the nonmajor governmental funds.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Keokuk County Assessor's Conference Board, City Assessor's Conference Board, Keokuk County Emergency Management Commission, Keokuk County Landfill Commission and Keokuk County Joint E-911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Funds.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local option sales tax authorized by referendum and used in accordance with the referendum.

The Employee Benefits Fund is used to account for employee benefits tax levy collections and the payment of employee benefits.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Sanitation Fund accounts for the operation and maintenance of the City's sanitary disposal system.

The City also reports the following proprietary funds:

Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

#### C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

#### D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2017, disbursements exceeded the amount budgeted in the debt service function prior to the budget amendment.

### (2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

### (3) **Notes Payable**

Annual debt service requirements to maturity for general obligation notes and revenue capital loan notes are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 250,000	70,244	117,000	20,908	367,000	91,152
2019	255,000	65,244	121,000	18,410	376,000	83,654
2020	270,000	59,794	124,000	15,830	394,000	75,624
2021	275,000	54,044	127,000	13,185	402,000	67,229
2022	210,000	48,194	102,000	10,475	312,000	58,669
2023-2027	875,000	174,844	224,000	27,960	1,099,000	202,804
2028-2032	630,000	62,269	49,000	1,470	679,000	63,739
2033	55,000	2,475	-	-	55,000	2,475
Total	\$ 2,820,000	537,108	864,000	108,238	3,684,000	645,346

### General Obligation Refunding Notes

On August 17, 2016, the City issued \$2,385,000 of general obligation refunding notes for the current refunding of \$1,935,000 of general obligation notes, street construction projects and the construction of and renovation to city buildings and facilities. The notes bear interest at rates ranging from 2.00% to 2.50% per annum and mature June 1, 2030.

The refunding was undertaken to reduce total debt service payments by approximately \$248,952 and to obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of approximately \$219,958.

### Revenue Capital Loan Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,177,000 of water revenue capital loan notes issued in October 2001, May 2002 and December 2007. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2028. Annual principal and interest payments on the notes are expected to required less than 70% of net receipts. The total principal and interest remaining to be paid on the notes is \$664,610. For the current year, principal and interest paid and total customer net receipts were \$78,303 and \$113,458, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$959,000 of sewer revenue capital loan notes issued in December 2002. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2022. Annual principal and interest payments on the notes are expected to require 20% of net receipts. The total principal and interest remaining to be paid on the notes is \$307,628. For the current year, principal and interest paid and total customer net receipts were \$59,038 and \$286,935, respectively.

The resolutions providing for the issuance of the revenue capital loan notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Water and sewer user rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the annual installments of principal and interest on the notes falling due in the same year.

#### **(4) Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2017 totaled \$51,752.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the City reported a liability of \$351,702 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the City's proportion was 0.005589%, which was an increase of 0.000616% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$53,647, \$139,085 and \$67,285, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation	
(effective June 30, 2014)	3.00% per annum.
Rates of salary increase	4.00 to 17.00% average, including inflation.
(effective June 30, 2010)	Rates vary by membership group.
Long-term investment rate of return	7.50% compounded annually, net of investment
(effective June 30, 1996)	expense, including inflation.
Wage growth	4.00% per annum, based on 3.00% inflation
(effective June 30, 1990)	and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 645,752	351,702	103,619

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).



**(5) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 11 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are based on age and range from \$240 to \$420 for single coverage and \$650 to \$1,510 for family coverage. For the year ended June 30, 2017, the City contributed \$98,860 and plan members eligible for benefits contributed \$15,460 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, personal leave and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, personal leave and compensatory time payable to employees at June 30, 2017, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 40,000
Compensatory time	15,000
Personal leave	2,000
Total	<u>\$ 17,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2017.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Enterprise:	
Employee Benefits	Water	\$ 10,032
	Sewer	7,507
	Sanitation	<u>5,677</u>
		<u>23,216</u>
Restricted gifts	Local Option Sales Tax	8,000
	Capital projects	<u>1,507</u>
		<u>9,507</u>
Debt Service:	Special Revenue:	
	TIF Program	<u>48,660</u>
Total		<u>\$ 81,383</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

## **(8) Risk Management**

The City is a member of the Iowa Community Assurance Pool, as followed by Chapter 670.7 of the Code of Iowa. The Iowa Community Assurance Pool (Pool) is a local government risk-sharing pool whose 753 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operation contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2017 were \$31,834.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

Members agree to continue membership in the Pool for a period of not less than one full year. After such a period, a member who has given 60 days' prior written notice may withdraw from the pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation and buildings in the amount of \$1,000,000 and \$150,000, respectively. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Developer Agreement**

In May 2006, the City and CB&D Development, Inc. (Developer) entered into a development agreement to construct a subdivision. The total to be paid by the City under this agreement shall be equal to the lesser of the sum of the total applicable percentage of all tax increments collected with respect to the assessments imposed on the development property and minimum improvements as of January 1, 2006 and January 1 of each of the following fourteen years, the actual cost of the public improvements (including reasonable interest cost) for which bills and proof of payment have been submitted to the City and construction is completed on or before December 31, 2015 or \$1,000,000. Each payment represents the incremental property tax received by the City with respect to the incremental value of the property. The obligation is not a general obligation of the City, but the debt is subject to the constitutional debt limitation of the City. During the year ended June 30, 2017, the City paid \$27,861 to the developer, for a cumulative amount paid of \$180,320.

**(10) City Tax Abatements**

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2017, the City abated \$10,226 of property tax under the urban renewal and economic development projects.

**(11) New Accounting Pronouncement**

The City adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the City's tax abatements.

**(12) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

### **Other Information**

City of Sigourney

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2017

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 860,385	-	-
Tax increment financing	69,288	-	-
Other city tax	210,771	-	-
Licenses and permits	36,650	-	-
Use of money and property	21,449	6,574	401
Intergovernmental	458,284	-	-
Charges for service	28,897	1,512,272	238,300
Special assessments	-	-	-
Miscellaneous	97,037	20,539	2,000
Total receipts	1,782,761	1,539,385	240,701
Disbursements:			
Public safety	464,196	10,067	10,067
Public works	364,345	67,116	67,116
Culture and recreation	288,943	-	-
Community and economic development	73,050	-	-
General government	198,670	2,712	2,712
Debt service	2,338,305	-	-
Capital projects	193,236	-	-
Business type activities	-	1,076,105	68,437
Total disbursements	3,920,745	1,156,000	148,332
Excess (deficiency) of receipts over (under) disbursements	(2,137,984)	383,385	92,369
Other financing sources, net	2,396,702	(23,216)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	258,718	360,169	92,369
Balances beginning of year	1,722,108	2,355,120	436,996
Balances end of year	\$ 1,980,826	2,715,289	529,365
See accompanying independent auditor's report.			

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Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
860,385	917,413	917,413	(57,028)
69,288	84,350	84,350	(15,062)
210,771	183,090	219,090	(8,319)
36,650	7,900	8,400	28,250
27,622	21,668	27,993	(371)
458,284	310,485	321,485	136,799
1,302,869	1,230,600	1,233,700	69,169
-	80,700	86,800	(86,800)
115,576	138,502	202,727	(87,151)
3,081,445	2,974,708	3,101,958	(20,513)
464,196	486,181	550,425	86,229
364,345	324,950	423,950	59,605
288,943	330,739	373,189	84,246
73,050	89,100	133,000	59,950
198,670	265,750	269,550	70,880
2,338,305	339,316	2,354,316	16,011
193,236	106,100	476,102	282,866
1,007,668	1,164,905	1,475,455	467,787
4,928,413	3,107,041	6,055,987	1,127,574
(1,846,968)	(132,333)	(2,954,029)	1,107,061
2,373,486	-	2,374,035	(549)
526,518	(132,333)	(579,994)	1,106,512
3,640,232	3,272,602	3,272,602	367,630
4,166,750	3,140,269	2,692,608	1,474,142

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City of Sigourney

Notes to Other Information – Budgetary Reporting

June 30, 2017

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund and blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$2,948,946. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2017, disbursements exceeded the amount budgeted in the debt service function prior to the budget amendment.



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City of Sigourney

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Three Years\*  
(In Thousands)

Other Information

	2017	2016	2015
City's proportion of the net pension liability	0.005589%	0.004973%	0.004451%
City's proportionate share of the net pension liability	\$ 352	246	176
City's covered-employee payroll	\$ 544	486	486
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	64.71%	50.62%	36.21%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

**City of Sigourney**

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City of Sigourney  
Schedule of City Contributions  
Iowa Public Employees' Retirement System  
For the Last Four Years  
(In Thousands)

Other Information

	2017	2016	2015	2014
Statutorily required contribution	\$ 52	55	45	45
Contributions in relation to the statutorily required contribution	(52)	(55)	(45)	(45)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered-employee payroll	\$ 564	544	486	486
Contributions as a percentage of covered-employee payroll	9.22%	10.11%	9.26%	9.26%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

City of Sigourney

Notes to Other Information – Pension Liability

Year ended June 30, 2017

*Changes of benefit terms:*

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

*Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

### **Supplementary Information**

City of Sigourney

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2017

					Special
	Restricted Gifts	Urban Renewal Tax Increment	CDBG Housing	TIF Program	CLG History Presentation
Receipts:					
Tax increment financing	\$ -	-	-	69,288	-
Licenses and permits	1,100	-	647	-	-
Use of money and property	90	5	-	-	7
Intergovernmental	-	-	-	6,587	-
Charges for services	-	-	3,275	-	-
Miscellaneous	34,092	-	30	-	-
Total receipts	35,282	5	3,952	75,875	7
Disbursements:					
Operating:					
Public safety	5,961	-	5,843	-	-
Cultures and recreation	21,362	-	-	-	-
Community and economic development	22,181	-	-	27,861	-
Total disbursements	49,504	-	5,843	27,861	-
Excess (deficiency) of receipts over (under) disbursements	(14,222)	5	(1,891)	48,014	7
Other financing sources (uses):					
Transfers in	9,507	-	-	-	-
Transfers out	-	-	-	(48,660)	-
Total other financing sources (uses)	9,507	-	-	(48,660)	-
Change in cash balances	(4,715)	5	(1,891)	(646)	7
Cash balances beginning of year	36,883	3,102	236	21,001	2,215
Cash balances end of year	\$ 32,168	3,107	(1,655)	20,355	2,222
<b>Cash Basis Fund Balances</b>					
Nonspendable:					
Lewis Memorial Trust	\$ -	-	-	-	-
Library Memorial Trust	-	-	-	-	-
Restricted for other purposes	32,168	3,107	(1,655)	20,355	2,222
Total cash basis fund balances	\$ 32,168	3,107	(1,655)	20,355	2,222

See accompanying independent auditor's report.

Revenue			Permanent		Total
Lewis Memorial Fountain	Year	Friends of the Sigourney Public Library	Lewis Memorial Trust	Library Memorial Trust	
-	-	-	-	-	69,288
-	-	-	-	-	1,747
42	54	1	-	-	199
2,500	-	-	-	-	9,087
-	-	-	-	-	3,275
6,430	-	4,034	-	-	44,586
8,972	54	4,035	-	-	128,182
-	-	-	-	-	11,804
40,859	-	4,235	-	-	66,456
-	-	-	-	-	50,042
40,859	-	4,235	-	-	128,302
(31,887)	54	(200)	-	-	(120)
-	-	-	-	-	9,507
-	-	-	-	-	(48,660)
-	-	-	-	-	(39,153)
(31,887)	54	(200)	-	-	(39,273)
65,837	10,437	3,577	4,675	1,000	148,963
33,950	10,491	3,377	4,675	1,000	109,690
-	-	-	4,675	-	4,675
-	-	-	-	1,000	1,000
33,950	10,491	3,377	-	-	104,015
33,950	10,491	3,377	4,675	1,000	109,690

**City of Sigourney**



## City of Sigourney

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Internal Service Funds

As of and for the year ended June 30, 2017

	Internal Service		
	Vehicle Replacement	Medical Self Fund	Total
Operating receipts:			
Charges for service	\$ 214,000	24,300	238,300
Operating disbursements:			
Governmental activities:			
Public safety	10,067	-	10,067
Public works	67,116	-	67,116
General government	-	2,712	2,712
Business type activities	66,445	1,992	68,437
Total operating disbursements	143,628	4,704	148,332
Excess of operating receipts over operating disbursements	70,372	19,596	89,968
Non-operating receipts (disbursements):			
Interest on investments	401	-	401
Sale of capital assets	2,000	-	2,000
Net non-operating receipts (disbursements)	2,401	-	2,401
Excess of receipts over disbursements	72,773	19,596	92,369
Change in cash balances	72,773	19,596	92,369
Cash balances beginning of year	436,996	-	436,996
Cash balances end of year	\$ 509,769	19,596	529,365
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ 509,769	19,596	529,365
Total cash basis fund balances	\$ 509,769	19,596	529,365

See notes to financial statements.

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City of Sigourney  
Schedule of Indebtedness  
Year ended June 30, 2017

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Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Refunding Series 2008	Mar 7, 2008	4.50%	\$ 1,255,000
Series 2010	Sep 29, 2009	3.50-4.10	350,000
Series 2010B	Oct 1, 2010	2.00-3.38	670,000
Series 2011	Feb 1, 2011	2.00-4.50	770,000
Series 2013	Aug 22, 2013	2.00-4.50	750,000
Series 2016	Aug 17, 2016	2.00-2.50	2,385,000
Total			
Revenue capital loan notes:			
Water Series 2001	Oct 1, 2001	3.00%	\$ 390,000
Water Series 2002	May 3, 2002	3.00	50,000
Sewer Series 2002	Dec 6, 2002	3.00	959,000
Water Series 2007	Dec 20, 2007	3.00	737,000
Total			
Bank loan:			
Pool liner	Oct 24, 2012	4.70%	\$ 100,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
705,000	-	705,000	-	9,782
210,000	-	210,000	-	1,883
370,000	-	370,000	-	2,541
650,000	-	650,000	-	5,698
690,000	-	30,000	660,000	26,100
-	2,385,000	225,000	2,160,000	38,848
<b>\$ 2,625,000</b>	<b>2,385,000</b>	<b>2,190,000</b>	<b>2,820,000</b>	<b>84,852</b>
120,000	-	23,000	97,000	2,100
15,000	-	3,000	12,000	263
345,000	-	53,000	292,000	6,038
498,000	-	35,000	463,000	14,940
<b>\$ 978,000</b>	<b>-</b>	<b>114,000</b>	<b>864,000</b>	<b>23,341</b>
42,167	-	42,167	-	3,029

### **Supplementary Information**

City of Sigourney  
Bond and Note Maturities  
June 30, 2017

General Obligation Notes						
Year Ending June 30,	Series 2013 Street Improvements Issued Aug 22, 2013		Series 2016 Refunding Issued Aug 17, 2016			
	Interest		Interest			
	Rates	Amount	Rates	Amount	Total	
2018	2.00%	\$ 30,000	2.00%	\$ 220,000	250,000	
2019	3.00	35,000	2.00	220,000	255,000	
2020	3.00	35,000	2.00	235,000	270,000	
2021	3.00	35,000	2.00	240,000	275,000	
2022	3.50	35,000	2.00	175,000	210,000	
2023	3.50	35,000	2.00	175,000	210,000	
2024	3.50	40,000	2.00	115,000	155,000	
2025	4.00	40,000	2.00	130,000	170,000	
2026	4.00	40,000	2.00	125,000	165,000	
2027	4.00	40,000	2.125	135,000	175,000	
2028	4.38	45,000	2.25	230,000	275,000	
2029	4.38	45,000	2.25	80,000	125,000	
2030	4.38	50,000	2.50	80,000	130,000	
2031	4.50	50,000		-	50,000	
2032	4.50	50,000		-	50,000	
2033	4.50	55,000		-	55,000	
Total		<u>\$ 660,000</u>		<u>\$ 2,160,000</u>	<u>2,820,000</u>	

Revenue Notes										
Year Ending June 30,	Water Series 2001 Issued Oct 1, 2001		Water Series 2002 Issued May 3, 2002		Sewer Series 2002 Issued Dec 6, 2002		Water Series 2007 Issued Dec 20, 2007			
	Interest		Interest		Interest		Interest			
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Total	
2018	3.00%	\$ 23,000	3.00%	\$ 3,000	3.00%	\$ 55,000	3.00%	\$ 36,000	117,000	
2019	3.00	24,000	3.00	3,000	3.00	57,000	3.00	37,000	121,000	
2020	3.00	25,000	3.00	3,000	3.00	58,000	3.00	38,000	124,000	
2021	3.00	25,000	3.00	3,000	3.00	60,000	3.00	39,000	127,000	
2022	-	-	-	-	3.00	62,000	3.00	40,000	102,000	
2023	-	-	-	-	-	-	3.00	42,000	42,000	
2024	-	-	-	-	-	-	3.00	43,000	43,000	
2025	-	-	-	-	-	-	3.00	45,000	45,000	
2026	-	-	-	-	-	-	3.00	46,000	46,000	
2027	-	-	-	-	-	-	3.00	48,000	48,000	
2028	-	-	-	-	-	-	3.00	49,000	49,000	
Total		<u>\$ 97,000</u>		<u>\$ 12,000</u>		<u>\$ 292,000</u>		<u>\$ 463,000</u>	<u>864,000</u>	

See accompanying independent auditor's report.

City of Sigourney

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Ten Years

	2017	2016	2015	2014
Receipts:				
Property tax	\$ 860,385	938,893	981,899	992,155
Tax increment financing	69,288	58,497	70,909	64,142
Local option sales tax	180,365	166,194	*	*
Other city tax	30,406	17,142	285,088	228,537
Licenses and permits	36,650	33,664	20,344	19,853
Use of money and property	21,449	19,065	16,771	19,480
Intergovernmental	458,284	461,201	278,480	245,751
Charges for service	28,897	28,646	49,316	78,990
Special assessments	-	-	-	-
Miscellaneous	97,037	141,325	189,791	154,058
Total	<u>\$ 1,782,761</u>	<u>1,864,627</u>	<u>1,892,598</u>	<u>1,802,966</u>
Disbursements:				
Operating:				
Public safety	\$ 464,196	425,087	333,973	388,254
Public works	364,345	356,362	254,631	206,563
Culture and recreation	288,943	301,388	308,082	233,455
Community and economic development	73,050	52,393	48,279	129,394
General government	198,670	219,489	215,201	218,427
Debt service	2,338,305	366,587	363,987	381,978
Capital projects	193,236	139,570	366,996	321,558
Total	<u>\$ 3,920,745</u>	<u>1,860,876</u>	<u>1,891,149</u>	<u>1,879,629</u>

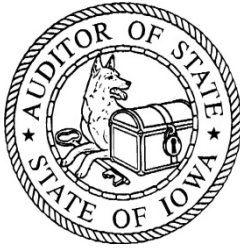
\* Separate amounts for local option sales tax and other City tax were not readily available.  
The amounts are reported in total as Other city tax.

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
937,369	928,955	818,502	685,848	813,584	784,884
67,115	69,622	63,365	17,693	15,971	10,483
227,601	210,372	*	212,421	206,852	137,048
37,575	23,557	247,351	33,422	46,850	49,288
19,745	20,030	40,371	38,563	13,868	11,040
16,242	21,899	19,936	23,725	20,446	21,261
256,200	250,266	366,922	848,772	542,350	256,839
58,231	68,580	47,514	45,167	31,475	31,102
-	-	6,024	168	2,920	3,901
59,956	79,036	184,035	26,441	75,015	103,931
1,680,034	1,672,317	1,794,020	1,932,220	1,769,331	1,409,777
346,968	339,216	351,163	310,067	280,382	245,805
290,637	310,151	247,193	253,342	190,944	216,013
206,843	286,534	226,056	262,065	199,791	183,933
65,154	75,746	149,782	184,089	398,302	107,300
246,743	265,434	202,362	336,149	221,767	215,215
440,820	436,472	1,711,621	396,923	411,910	368,160
156,200	443,551	338,685	886,367	349,142	41,040
1,753,365	2,157,104	3,226,862	2,629,002	2,052,238	1,377,466

**City of Sigourney**





**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 242-6134

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 15, 2018. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Sigourney's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sigourney's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sigourney's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Sigourney's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) through (B) to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sigourney's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


### The City of Sigourney's Responses to the Findings

The City of Sigourney's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Sigourney's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Sigourney during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
MARY MOSIMAN, CPA  
Auditor of State

March 15, 2018

City of Sigourney

Schedule of Findings

Year ended June 30, 2017

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – Generally, one or two individuals in the City may have control over the following areas for which no compensating controls exist:

- (1) Cash – reconciling bank accounts, cash disbursement functions and recording cash.
- (2) Receipts – opening mail, collecting, recording/accounting for cash receipts and deposit preparation.
- (3) Utilities – utility billing, collecting, depositing, posting to customer accounts and maintaining accounts receivable records.
- (4) Accounting system – performing all general accounting functions and having custody of City assets.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – The City Clerk's office has reconciled the utilities starting with the December billing and will have the Mayor or a City Council Member start reviewing the utility reconciliation and validate with a signature and date of completion. The City will continue to review its control procedures to obtain the maximum internal control possible under the circumstances.

Conclusion – Response accepted.

City of Sigourney

Schedule of Findings

Year ended June 30, 2017

(B) Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Cause – Policies have not been established and procedures have not been implemented to reconcile utility billings, collections and delinquent accounts.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliation and monitor delinquent accounts. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

Response – The City Clerk's office has reconciled the utilities starting with the December 2017 billing and will have the Mayor or a City Council Member start reviewing the utility reconciliation and validate with a signature and date of completion.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Sigourney

Schedule of Findings

Year ended June 30, 2017

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – During the year ended June 30, 2017, disbursements in the debt service function exceeded the amount budgeted prior to the budget amendment.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Sigourney Area Development	Sigourney Bucks-door prizes	\$ 100

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – The City will review their policy and procedures and document the public purpose of all disbursements before authorizing such future payments.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rick Landgrebe, Council Member, manages Brother's Market	Various items for a number of city departments	\$ 787
Ashley Hammes, Office Assistant, Father and brother own Hammes Bulldozing	Bulldoze the old salt shed	5,000
William Bender, Council Member, Grandson owns MidPros	Various items for the pool, soccer program and city hall	358

City of Sigourney

Schedule of Findings

Year ended June 30, 2017

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with Brother's Market and MidPros do not appear to represent a conflict of interest since the transactions did not exceed \$2,500 during the fiscal year. The transactions with Hammes Bulldozing may represent a conflict of interest since total payments exceed \$2,500 and the services were not competitively bid.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The City will contact legal counsel.

Conclusion – Response accepted.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.
- (9) Annual Urban Renewal Report – No instances of non-compliance with the Annual Urban Renewal Report requirements for the year ended June 30, 2017 were noted.
- (10) Financial Condition – At June 30, 2017, the City had a deficit balance of \$1,655 in the Special Revenue, CDBG Housing Fund.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.

Response – The City will investigate alternatives to eliminate this deficit.

Conclusion – Response accepted.

- (11) Sigourney Donations – During the year ended June 30, 2017 the City donated a total of \$50 to the Sigourney After-Prom Committee.

The Constitution of the State of Iowa prohibits governmental bodies from making gifts to a private non-profit corporation. Article III, Section 31 states, "No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the member elected to each branch of the General Assembly."

City of Sigourney

Schedule of Findings

Year ended June 30, 2017

Recommendation – The City should ensure all future disbursements are in accordance with the Constitution of the State of Iowa.

Response – The City will no longer transfer money to various committee accounts.

Conclusion – Response accepted.

City of Sigourney

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager  
Ryan T. Jelsma, Senior Auditor II  
Alex N. Kawamura, CPA, Staff Auditor  
Adam R. McCleish, Assistant Auditor

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is fluid and cursive, with the first name "Andrew" and last name "Nielsen" clearly legible.

Andrew E. Nielsen, CPA  
Deputy Auditor of State